Taxes on processing of cotton and ready made garments

†*592. SHRI RAM JETHMALANI:
SHRIKAPILSIBAL:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that taxes have been levied by Government at many levels from the process of cotton production to that of manufacturing of readymade garments;

(b) if so, the details of those taxes and their rates levied at present; and

(c) the likely increase in the pricing of the readymade garments following the tax determination percentage-wise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN): (a) Excise duty is levied by the Central Government at the stage of manufacture of cotton yam, cotton fabrics and readymade garments of cotton.

(b) Details of excise duties levied on cotton textiles and textile products are as given below:—

(1) Cotton yam - 9.2% *ad valorem* [8% Basic Excise duty (BED) +15% of BED as Additional Excise Duty (Textiles and Textile Articles);

(2) Cotton fabrics - 12% *ad valorem* [8% BED + 4% Additional Excise Duty in lieu of sales tax]

(3) Cotton readymade garments - 12% *ad valorem*

However, CENVAT credit of the basic excise duty paid at the earlier stage can be availed for discharging duty liability at the subsequent stages in the production chain. Thus there is no cascading effect of excise duties on account of imposition of duty at various stages of manufacture. Further in the case of readymade garments, exemption from excise duty is available for small scale units upto a turnover limit of Rs. One crore in a year subject to certain conditions. Clothing accessories and undergarments are, however, fully exempt from excise duty.

(c) Prices of readymade garments are determined by market forces. The impact of excise duty on the prices of readymade garments is limited to the value addition at the garment manufacturing stage.

† Original notice of the question was received in Hindi.